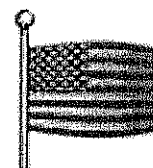


# **Exhibit 6**



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## CARIBBEAN BUSINESS

### New concerns for the banking industry

*The Puerto Rico Stock Index took a dive, highlighting investor anxiety about the sector*

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A combination of concerns over Doral Financial Corp.'s 10K, the Securities & Exchange Commission (SEC) investigation of W Holding, and rumors about a possible increase in taxes on the Puerto Rico financial sector, created what some analysts are calling a perfect storm, which delivered a hard hit to the Puerto Rico Stock Index (PRSI) by the closing of trading day March 16, 2005. All Puerto Rico bank stocks went down; Doral's stock fell \$7.71, or 20%, in just one day.

Doral Financial Corp. Chairman & CEO Salomon Levis commented on the falling stock price during an investor conference call addressing all the present concerns regarding the company's valuation of Interest Only (IO) strips. "We are very surprised and disappointed at yesterday's market reaction. We believe it was premature to reach these kinds of conclusions without giving management the chance to react," Levis said.

Arturo Carrión, executive vice president of the Puerto Rico Bankers Association told **CARIBBEAN BUSINESS** that the effect of the proposed special tax for the financial sector on the industry was still not defined. However, referring to the fall of the PRSI on March 16, Carrión indicated that a negative impact is possible.

During his budget speech Gov. Aníbal Acevedo Vilá said, "We propose a special tax should be imposed on the financial industry for two years as a transitory measure to a tax reform. The estimated income from this concept would be \$180 million a year." The tax is believed to be between 2.5% and 5% on net interest income. Considering that the banking sector had already paid approximately \$300 million in taxes last year to the Puerto Rico Treasury Department, the impact of this additional tax could be significant for the industry.

In a statement, the Bankers Association said it would collaborate with the island's deficit situation with certain reservations. "The banking industry is aware of the island's fiscal situation and we recognize the efforts of the present administration to find permanent solutions to the problem. Therefore, the banking industry is willing to contribute in conjunction with the commercial sector, and in a temporary condition, to solve the present

situation."

Keefe, Bruyette & Woods (KBW) vice president of Equity Research, Bain Slack, who was visiting bank managements on the island, was truly surprised by the strong hit on the stocks, but his concerns were limited. "I'm surprised at the speed at which they fell. We had gone a little negative on the group, but over a 12-month period. Now we are neutral because the stocks have underperformed so much to the regular sector. Now they are back to the normal discount we had before," explained Slack.

Slack sat down with **CARIBBEAN BUSINESS** at R&G's new office facilities, where the bank was hosting a conference for a select group of clients concerned about the investment environment on the island.

Slack explained that the strong hit that the Index took might have been unfairly influenced by a report issued by a stateside analyst, which implied that the possible tax increase for the financial sector was already approved. However, he did recognize that the Puerto Rico banks are in for a difficult time in the near future. "We believe that near-term outlook for Puerto Rico banks appears to be challenging. We believe that Puerto Rico bank stocks will most likely not perform as well as in the past few years," he explained. The March 1, 2005, KBW report however stated that the severe underperformance by the group of island bank stocks may be limited, due to the large number of local stockholders.

Slack also highlighted other challenges for bank performance on the island. One such challenge is funding. The best source of deposit funding for island banks is from their commercial customers, which is a limited source considering the strong competition in the sector. In KBW's view this has forced many banks to enter into the mortgage sector in attempts to stay ahead.

The report also highlighted Puerto Rico's budget deficit challenges, pointing out that government officials could potentially consider reducing the amount of tax exemption provided by the International Banking Entities (IBE), a resource strongly utilized by many of the local banks. On the possible new tax that would be implemented on the financial sector, Slack commented that if that measure turned out to hurt the market as much as it did based on simple rumors, the government should be carefully considering the importance of the sector to the island's economic well-being.

On the good side, KBW noted that credit quality remains solid and doesn't concern managements, who noted the relative strength of their asset quality and didn't feel there was any particular softness in any part of their loan books. The economic forecast for the island also seemed strong in the eyes of KBW, which allowed them to remain positive on the sector.

One point that Slack strongly emphasized was that the time might have come for Puerto Rico banks to strongly consider the option of consolidation. "The thing that may help the stocks perform better are consolidations among the players. It wouldn't surprise us if some of the management teams started talking about partnering up," Slack said. The KBW report specifically referred to certain candidates for this kind of deal.

"We believe OFG (Oriental Financial Group) and EUBK (Eurobank) make attractive consolidation candidates because their business models lend themselves to generating core

deposits which we believe will be more valuable with higher interest rates. An acquisition of either of these two banks may be a more cost-effective way for the larger island banks to obtain small- to middle-market business, given the fierce competition and pricing for these customers. In addition, due to their relative size, we feel the integration of either franchise would be fairly simple for the larger banks on the island," read the report.

Although bank managements on the island have been hesitant about this option, Slack hoped they would realize the potential value of consolidation as a way to put a floor on the island stocks.

***This Caribbean Business article appears courtesy of Casiano Communications.  
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